

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01

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E. O. 11652: ADS, DECLAS 7/14/76

TAGS: EAID, EFIN

SUBJECT: ASIAN DEVELOPMENT FUND REPLENISHMENT

USADB

FOR NAC AGENCIES

TREASURY FOR COOPER/BUSHNELL

SUMMARY: SIR JOHN CHADWICK, SPECIAL ADVISOR TO ADB
PRESIDENT INOUE, RECENTLY REPORTED TO BOARD OF
DIRECTORS RESULTS HIS NUMEROUS DISCUSSIONS WITH DONOR
COUNTRIES REGARDING ADF REPLENISHMENT. CHADWICK
FOCUSED IN PARTICULAR ON SITUATION IN UNITED STATES,
GERMANY, ITALY AND CANADA, AND ADDRESSED HIMSELF AS
WELL TO SUBJECT INVITING WESTERN ASIA OPEC COUNTRIES
TO ATTEND FORTHCOMING REPLENISHMENT MEETING. FINALLY,
CHADWICK ESTIMATED THAT SIZE OF REPLENISHMENT NO
MORE, UNDER BEST CIRCUMSTANCES, THAN 50 PERCENT
GREATER THAN ADF I IF U.S. WILLING TO INCREASE ITS
CONTRIBUTIONS BY THAT AMOUNT. IN REACHING CONCLUSION
CHADWICK POINTED TO GERMAN CONSTRAINT WHICH ALLOWED MAXIMUM
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INCREASE OF 50 PERCENT AND WHICH, THEREFORE,
CHADWICK FELT WOULD SERVE AS GUIDELINE FOR OTHER DONORS.

1. AT JULY 8 BOARD MEETING, SIR JOHN CHADWICK
SUBMITTED REPORT HIS ROUND CONSULTATIONS WITH MAJOR
DONOR COUNTRIES ON ADF REPLENISHMENT (TEXT OF STATE-
MENT POUCHED NAC AGENCIES JULY 14). AS EXPECTED,
CHADWICK GAVE CONSIDERABLE TIME AND ATTENTION TO U.S.
POSITION AND PROBLEMS STRESSING U.S. DIFFICULTIES
OCCASIONED BY (A) IDB REPLENISHMENT AND FORTHCOMING
IDA V REPLENISHMENT DISCUSSIONS; (B) IMPACT OF U.S.
PRESIDENTIAL ELECTION ON NEW FUNDING REQUESTS; AND
(C) DIFFICULTIES OCCASIONED BY INDOCHINA ISSUE. IN
VIEW OF ABOVE AND IN LIGHT TREASURY COMMENTS,
CHADWICK REPORTED TREASURY VIEW THAT AT BEST U.S.
COULD CONTRIBUTE NO MORE THAN \$50 MILLION ANNUALLY
WITH POSSIBLY MINOR ADJUSTMENT UPWARD TO ALLOW FOR
EFFECTS OF INFLATION.

2. REGARDING GERMANY, CHADWICK REPORTED THAT
COUNTRY ADAMANT ITS CONTRIBUTION COULD BE INCREASED
NO MORE THAN 50 PERCENT BECAUSE OF SEVERE FISCAL
RESTRAINTS OCCASIONED BY GERMAN ECONOMIC AND POLITICAL
SITUATION. WITH RESPECT TO ITALY, CHADWICK
NOTED THAT ITALIAN GOVT NOT YET OBTAINED AUTHORIZATION
FOR ITALIAN CONTRIBUTION TO ADF I. FROM ALL APPEARANCES
AUTHORIZATION WILL NOT BE FORTHCOMING IN NEAR FUTURE
INDICATING THAT ITALY AT PRESENT IN NO POSITION TO
SERIOUSLY PARTICIPATE IN ADF REPLENISHMENT DISCUSSIONS.
CANADA HOWEVER PREPARED TO INCREASE CONTRIBUTION TO
ADF II CONSIDERABLY ONCE BANK HAS USED SOME PORTION
PREVIOUS CANADIAN TIED CONTRIBUTIONS. LEFT IMPRESSION
THAT CANADA WILLING, REGARDLESS, TO PARTICIPATE AT
MUCH HIGHER LEVEL IN ADF II.

3. IN VIEW CIRCUMSTANCES DESCRIBED FOR U.S. , GERMANY,
ITALY, CANADA AND PREVIOUS STATEMENTS MADE BY JAPAN,
U.K., ETC., CHADWICK CONCLUDES MAXIMUM INCREASE IN

ADF APPROXIMATELY 50 PERCENT. LATTER FIGURE CONDITIONED
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GREATLY BY GERMAN POSITION WHICH IS OF CONSIDERABLE
RELEVANCE TO THAT OTHER EUROPEAN DONORS. HOWEVER,
CHADWICK NOTED THAT AUSTRIA, FRANCE AND SWEDEN STILL
UNPREPARED TO PARTICIPATE IN ADF. HENCE, SIZE OF
REPLENISHMENT NEED BE REDUCED ACCORDINGLY RESULTING
IN AN APPROXIMATE FIGURE OF \$780 MILLION. LATTER
FIGURE, HOWEVER, ASSUMES INCREASE IN U.S. CONTRIBUTION
BY 50 PERCENT WHICH ACCORDING TO CHADWICK SEEMED

UNREALISTIC, HENCE, FINAL FIGURE MAY BE IN \$700 MILLION RANGE.

4. CHADWICK STRESSED, PARTICULARLY IN DISCUSSING STATEMENT, THAT SUCCESS OF ADF REPLENISHMENT OBVIOUSLY DEPENDS UPON U.S. ATTITUDES AND ABILITY TO PARTICIPATE IN EXERCISE. CHADWICK INDICATED PRIVATELY HE FELT THAT OTHER DONORS WOULD BE PREPARED TO INCREASE CONTRIBUTIONS APPROXIMATELY 50 PERCENT EVEN SHOULD U. S. BE UNABLE TO EXCEED \$50 MILLION A YEAR CONTRIBUTION LEVEL.

5. REGARDING MERITS INVITING WESTERN ASIAN OPEC COUNTRIES TO AUGUST 30 ADF REPLENISHMENT MEETING, CHADWICK CITED NUMEROUS REASONS IN MANAGEMENT'S VIEW RE INADVISABILITY SUCH INVITATIONS. FIRST, IRAN HAS STATED UNEQUIVOCALLY ITS POSITION RE ADB, I.E. IRAN PREPARED TO CONSIDER ADB MEMBERSHIP OR OTHER FORM ASSOCIATION ONLY IF BANK CHARTER REVISED TO ASSURE IRAN PRESIDENCY OF ADB. SECOND, ON ADVICE DIRECTOR GENERAL KUWAIT FUND, BANK NOT INCLINED TO INVITE OTHER WESTERN ASIAN OPEC COUNTRIES SINCE AT TIME OF BANK'S INCEPTION, SAUDI ARABIA AND ISRAEL INQUIRED ABOUT MEMBERSHIP IN ECAFE AND HENCE IN ADB. SAUDIS AND SUPPOSEDLY OTHER WESTERN ASIAN OPEC COUNTRIES AT THAT TIME INTERESTED IN JOINING BANK AS REGIONAL DEVELOPING COUNTRY MEMBERS. ALTHOUGH ECAFE COMMITTEE ESTABLISHED TO ADDRESS ISSUE, NO REPORT FILED; HENCE INQUIRY NEVER FORMALLY ANSWERED. DIRECTOR GENERAL EMPHASIZED THAT BANK OVERTURES AT THIS POINT TO NEWLY AFFLUENT WESTERN ASIAN OPEC COUNTRIES, IN LIGHT THIS HISTORY, COULD BE COUNTERPRODUCTIVE. FINALLY, CHADWICK AND BANK MANAGEMENT CONCERNED THAT INVITATION TO WESTERN ASIAN OPEC COUNTRIES MAY GENERATE CONSIDERABLE SIDE ISSUES REGARDING MEANS OF ASSOCIATION LIMITED OFFICIAL USE

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WITH ADB SINCE NONE OF THESE COUNTRIES, IN CONTRAST TO IBRD SITUATION, CURRENTLY IN ADB. THEREFORE, CHADWICK AND BANK MANAGEMENT CONCLUDE NOTHING TO BE GAINED BY EXTENDING INVITATIONS TO WESTERN ASIA OPEC COUNTRIES, PARTICULARLY IF IT APPEARS THAT AUGUST 30 ADF REPLENISHMENT MEETING MAY BE LESS THAN SUCCESSFUL BECAUSE OF UNCLEAR U.S. POSITION.

5. CHADWICK CONCLUDED STATEMENT BY REFERRING TO NEXT STEPS. AUGUST 30 MEETING CONSIDERED IMPORTANT AS VEHICLE FOR PAVING WAY TO SUCCESSFUL CONCLUSIONS REPLENISHMENT DISCUSSIONS AT SEPTEMBER 25-26 MEETING. CHADWICK EMPHASIZED THAT, IF ADF REPLENISHMENT TO BECOME REALITY, NECESSARY REACH GENERAL AGREEMENT AT SEPTEMBER MEETING, HOWEVER, CHADWICK LEFT NO FALSE IMPRESSIONS

REGARDING PROSPECTS U.S. WOULD BE IN POSITION TO
PARTICIPATE POSITIVELY IN EITHER MEETING.
SESSION ENDED ON RATHER DISMAL NOTE.
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